

HOBBS OCD

OCD-HOBBS

Form 3160-3
(April 2004)

SEP 06 2012

ATS-12-689 COPY

RECEIVED
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SECRETARY'S POTENTIAL

FORM APPROVED
OMB No 1004-0137
Expires March 31, 2007Lease Serial No.
BHL-NM078273; SHL-LC0066126

APPLICATION FOR PERMIT TO DRILL OR REENTER

6. If Indian, Allottee or Tribe Name

1a. Type of work. ☒ DRILL ☐ REENTER

7. If Unit or CA Agreement, Name and No

1b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone8. Lease Name and Well No.
Laguna 23 Federal Com #1H2. Name of Operator
Nearburg Producing Company OGRID: 157429. API Well No.
30-025-407423a. Address 3300 N. A Street, Bldg. 2 Suite 120
Midland, TX 797053b. Phone No. (include area code)
432-686-823510. Field and Pool, or Exploratory
Lea; Bone Spring, South (37580)4. Location of Well (Report location clearly and in accordance with any State requirements*)
At surface 330' FSL and 1980' FWL, Unit N - Penetration Pt: 580' FSL & 1980' FWL
At proposed prod. zone 330' FNL and 1980' FWL, Unit C11. Sec, T, R, M or Blk. and Survey or Area
23, T20S, R34E14. Distance in miles and direction from nearest town or post office*
approximately 3.5 miles NW from intersection of Hwy 176 and Marathon Road12. County or Parish
Lea13. State
NM15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig unit line, if any) 33016. No. of acres in lease
1360 75
280 (all lease penetrated)17. Spacing Unit dedicated to this well
160 acres18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft. 33019. Proposed Depth
TVD 11050'; MD 15424'20. BLM/BIA Bond No. on file
NMB00015321. Elevations (Show whether DF, KDB, RT, GL, etc.)
3682.9' GL22. Approximate date work will start*
06/15/201223. Estimated duration
45 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No 1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above) |
| 2. A Drilling Plan | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature Vicki Johnston

Name (Printed/Typed)
Vicki JohnstonDate
03/10/2012Title
Gray Surface Specialties, Agent for Nearburg Producing Company

Approved by (Signature) /s/ Jesse J. Juen

Name (Printed/Typed) /s/ Jesse J. Juen

Date

Title
STATE DIRECTOROffice
NM STATE OFFICE

AUG 24 2012

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

*(Instructions on page 2)

Capitan Controlled Water Basin

K2 09/06/12

Approval Subject to General Requirements
& Special Stipulations AttachedSEE ATTACHED FOR
CONDITIONS OF APPROVAL

SEP 11 2012

COPY

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Nearburg Producing Company OGRID #15742
3300 North A Street, Building 2, Suite 120
Midland, TX 79705

HOBBS OCD

SEP 06 2012

The undersigned accepts all applicable terms, conditions, stipulations and restrictions covering operations conducted on the leased land or portion thereof, as described below:

Lease No: NMLC #0066126

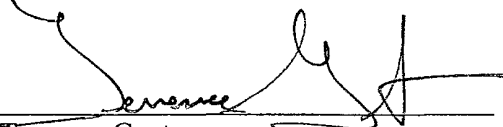
Well Name: Laguna 23 Federal Com #1H

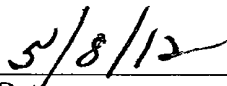
Legal Description of Land: SL: 330' FSL & 1980' FWL, Unit N
BHL: 330' FNL & 1980' FWL, Unit C
Sec 23, T20S, R34E
Lea County, New Mexico

Formation(s) (if applicable): Lea: Bone Spring, South (37580)

Bond Coverage: Statewide

BLM Bond File No: NMB000153

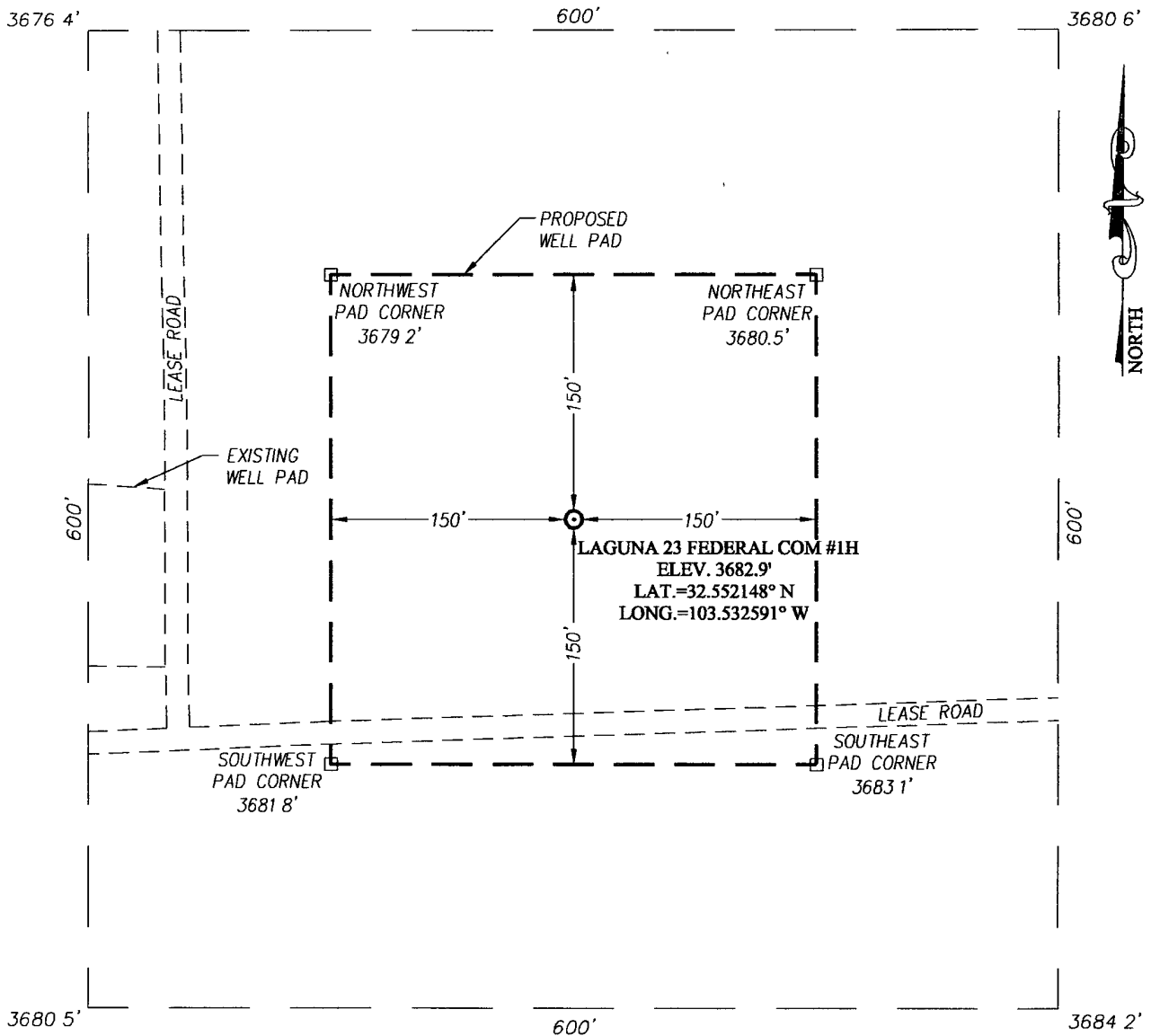

Terrence Gant
Midland Manager
Nearburg Producing Company


Date

Office Phone: (432) 818-2901
Cell Phone: (432) 528-1121
E-mail: tgant@nearburg.com

EXHIBIT B

SECTION 23, TOWNSHIP 20 SOUTH, RANGE 34 EAST, N.M.P.M.
LEA COUNTY NEW MEXICO

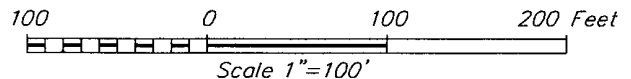


DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST HWY #176 AND C.R H27 (MARATHON ROAD) GO NORTH APPROX 1.05 MILES TURN LEFT AND GO WEST APPROX 1.0 MILE TURN RIGHT AND GO NORTH APPROX 1.0 MILE TURN RIGHT AND GO EAST APPROX 0.4 MILES THIS LOCATION STAKE IS APPROX 130 FEET NORTH OF THE LEASE ROAD



PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N DAL PASO
HOBBS, NM 88240
(575) 393-3117



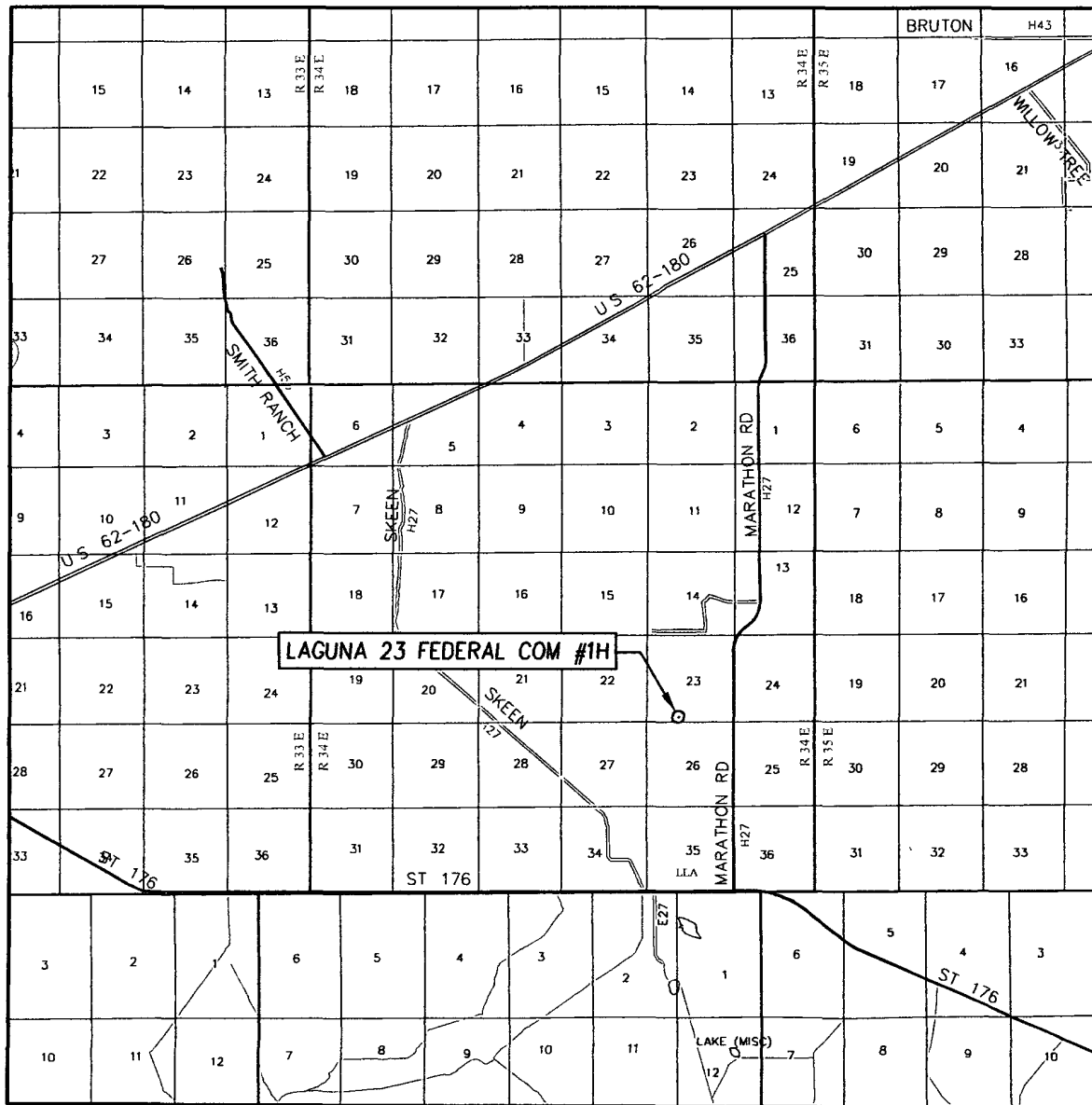
NEARBURG PRODUCING COMPANY

LAGUNA 23 FEDERAL COM #1H WELL
LOCATED 330 FEET FROM THE SOUTH LINE
AND 1980 FEET FROM THE WEST LINE OF SECTION 23,
TOWNSHIP 20 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO

Survey Date: 12/7/11	Sheet 1 of 1 Sheets
W.O. Number: 11.11 2542	Dr. By: AF Rev 1:
Date: 12/14/11 Rel W.O.	11112542 Scale: 1"=100'

EXHIBIT C-1

VICINITY MAP



SCALE: 1" = 2 MILES

SEC 23 TWP. 20-S RGE. 34-E

SURVEY _____ N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 330' FSL & 1980' FWL

ELEVATION 3683'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE LAGUNA 23 FEDERAL COM

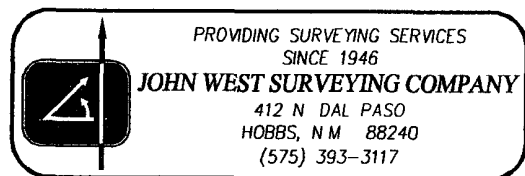
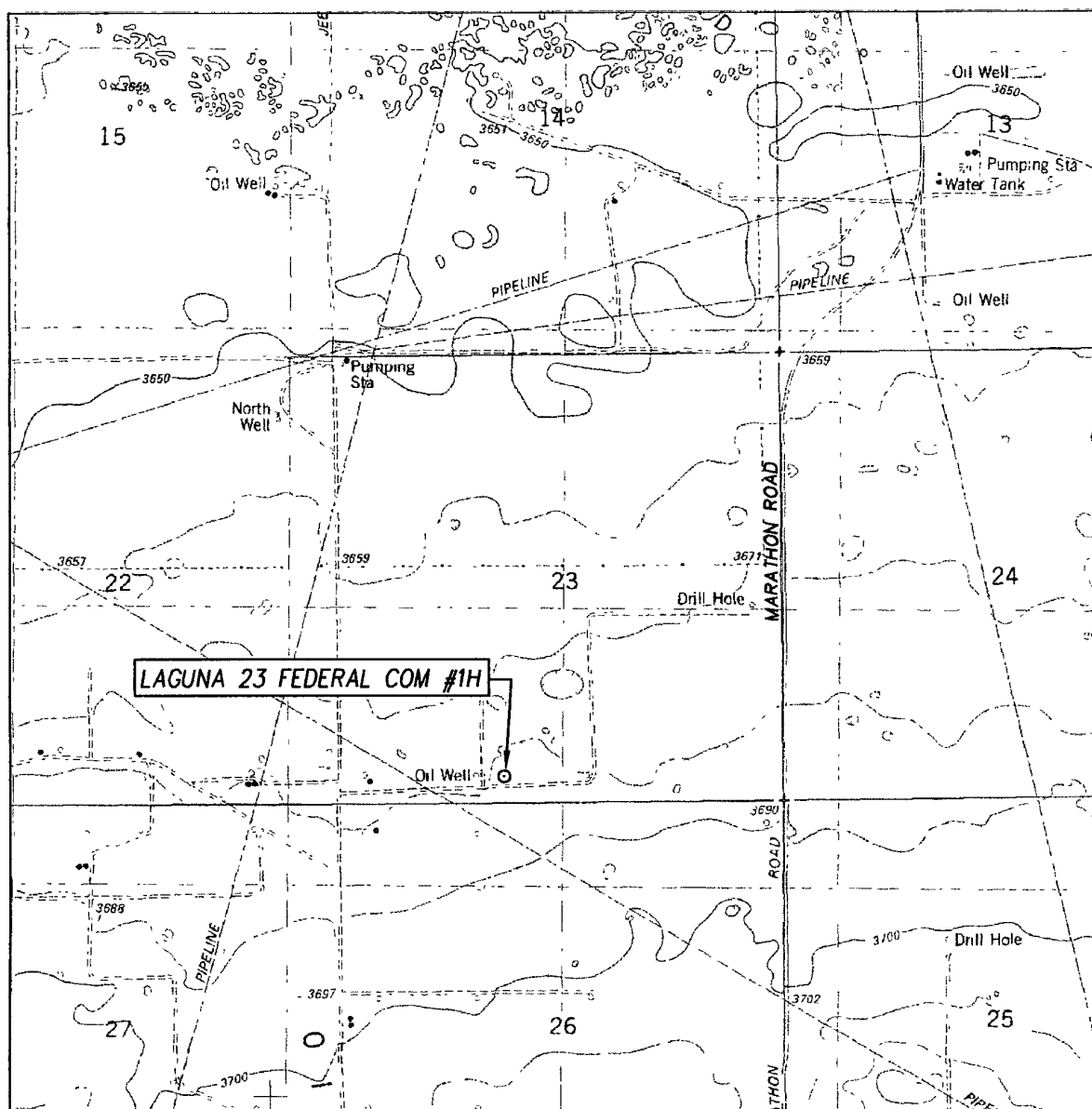


EXHIBIT C-2

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
LEA, N M - 10'

SEC 23 TWP 20-S RGE 34-E

SURVEY N.M.P.M

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 330' FSL & 1980' FWL

ELEVATION 3683'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE LAGUNA 23 FEDERAL COM

U S G S TOPOGRAPHIC MAP
LEA, N M

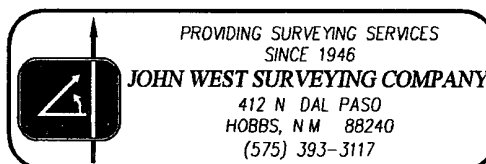
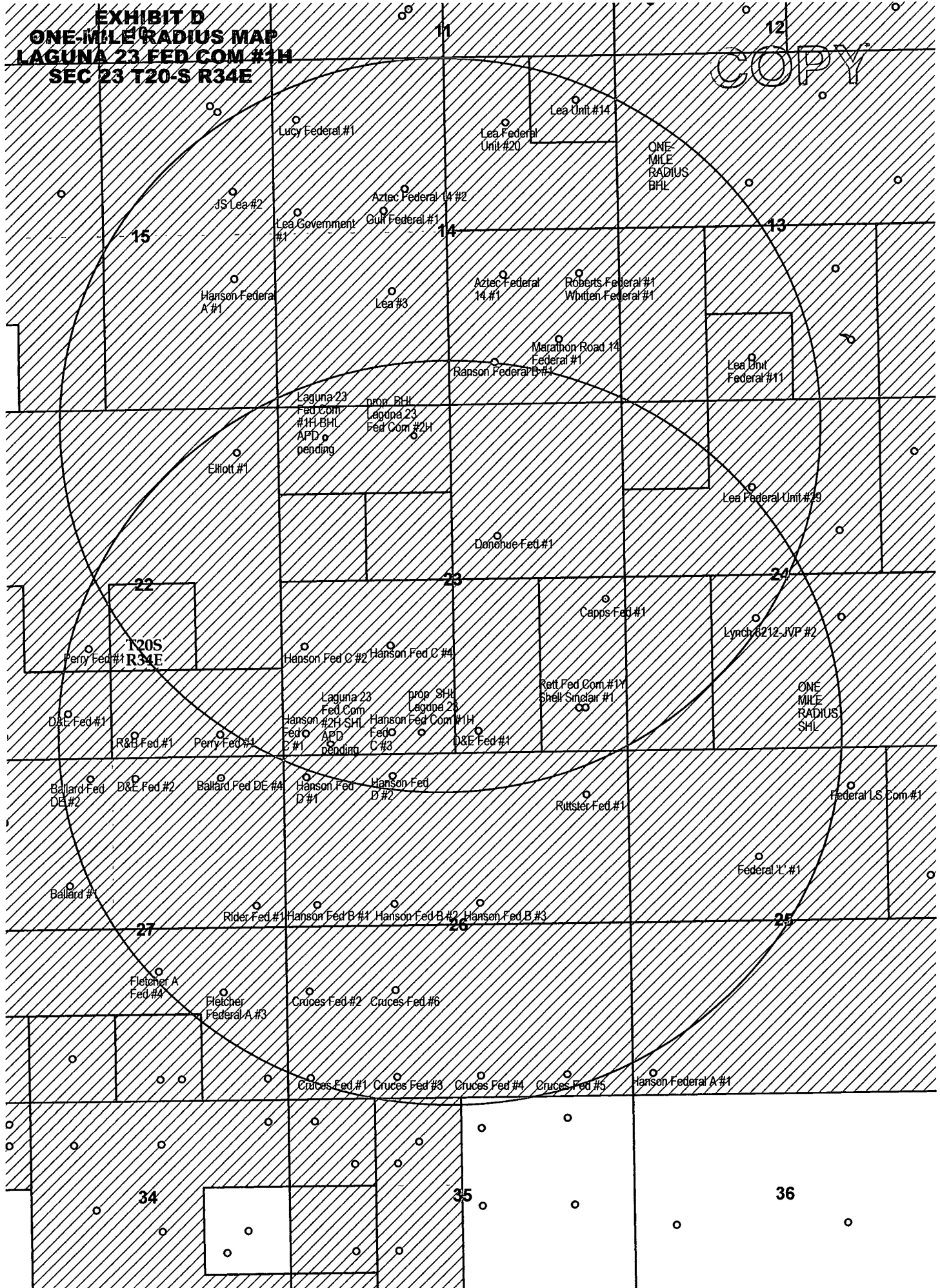


EXHIBIT D
ONE-MILE RADIUS MAP
LAGUNA 23 FED COM #1H
SEC 23 T20-S R34E

COPY



LEASE BOUNDARY MAP
LAGUNA 23 FED COM #1H AND #2H

10

12

15

14

13

BHL LAGUNA 23
FED COM #2H
NM078273

NM124662

NM028880

T20S
R34E

22

23

24

NM0066126

SHL LAGUNA 23
FED COM #2H

SHL LAGUNA 23
FED COM #1H

SECTION 23, T20S, R34E
Laguna 23 Fed Com #1H
SL: 330' FSL & 1980' FWL
BHL: 330' FNL & 1980' FWL

Laguna 23 Fed Com #2H
SL: 175' FWL & 660' FWL
BHL: 330' FNL & 660' FWL

27

26

25

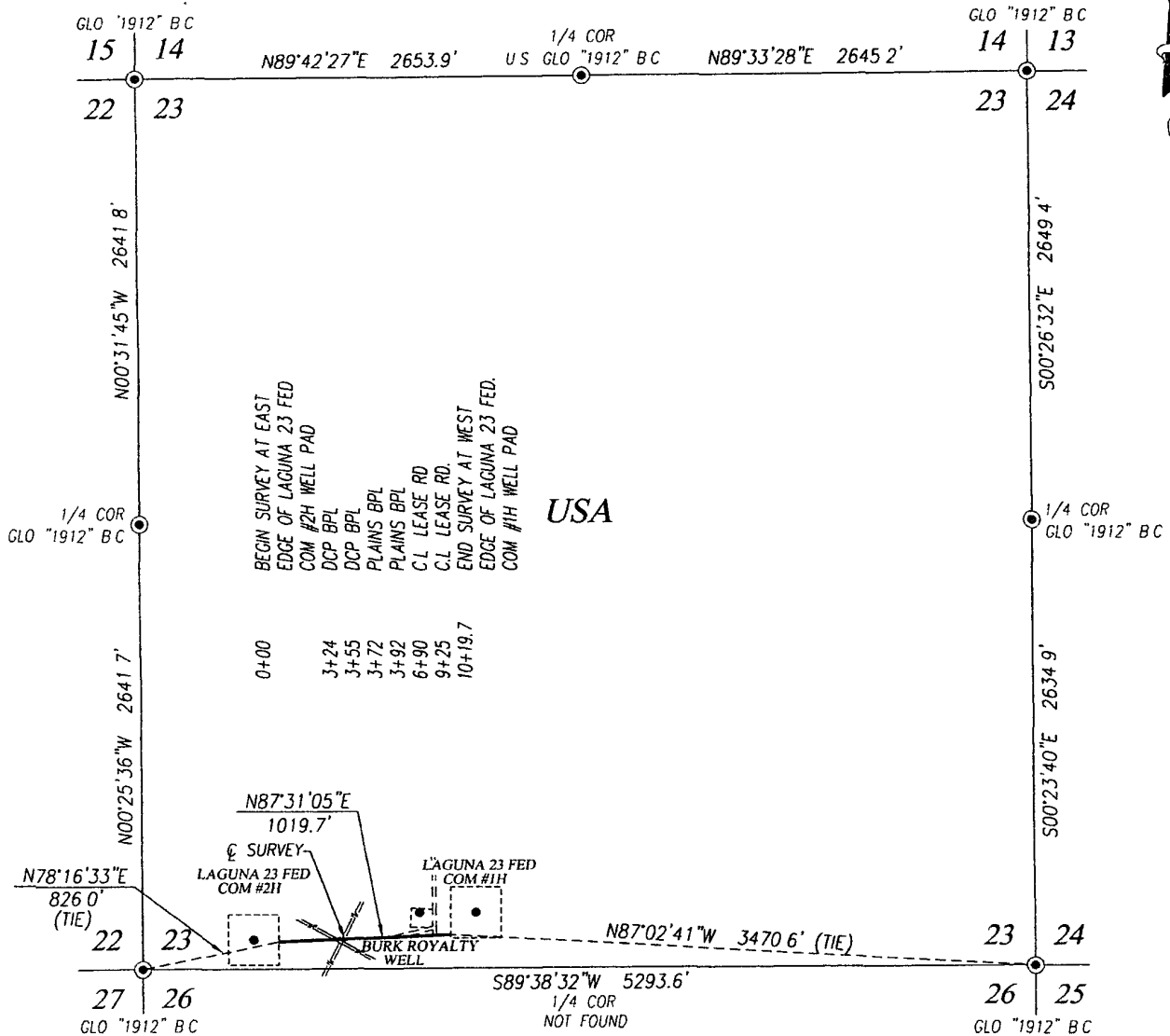
34

35

36

EXHIBIT F-1

SECTION 23, TOWNSHIP 20 SOUTH, RANGE 34 EAST, N.M.P.M., LEA COUNTY NEW MEXICO



DESCRIPTION

SURVEY OF A STRIP OF LAND 50.0 WIDE AND 1019.7 FEET OR 0.193 MILES IN LENGTH CROSSING USA LAND IN SECTION 23, TOWNSHIP 20 SOUTH, RANGE 34 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO, AND BEING 25.0 FEET LEFT AND 25.0 FEET RIGHT OF THE ABOVE CENTERLINE.

NOTE

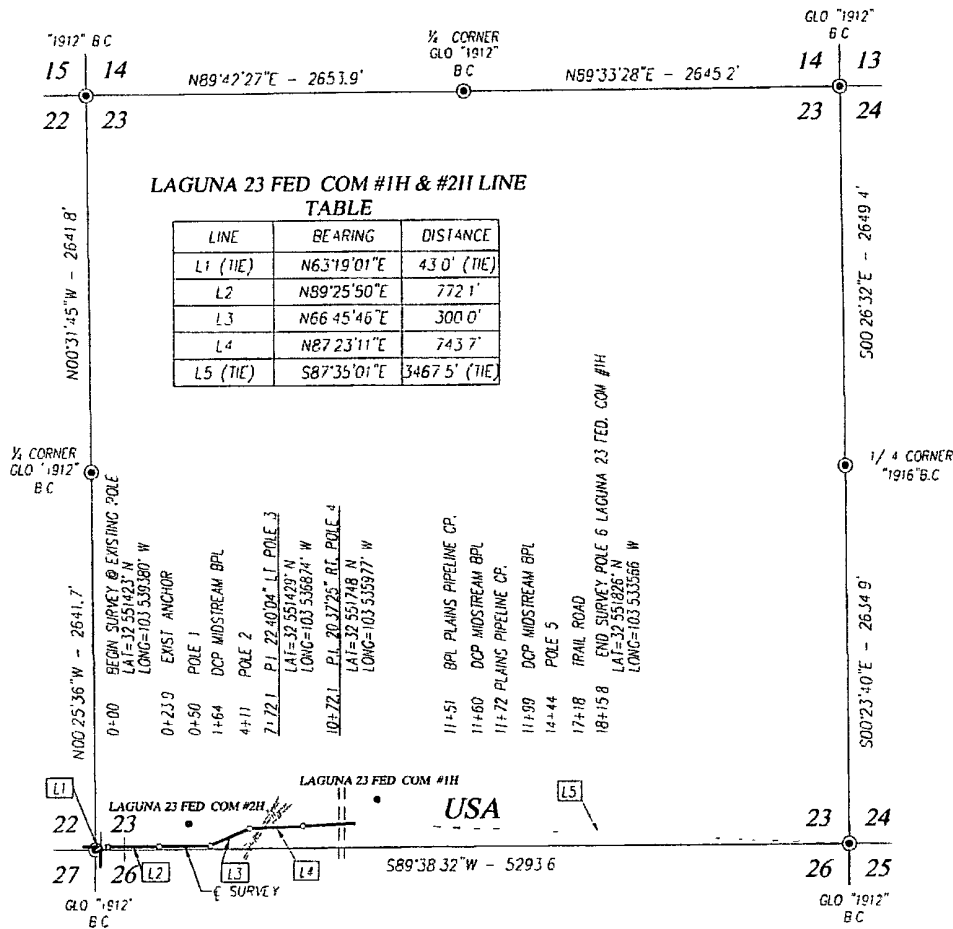
BEARINGS SHOWN HEREON ARE MERCATOR GRID AND CONFORM TO THE NEW MEXICO COORDINATE SYSTEM "NEW MEXICO EAST ZONE" NORTH AMERICAN DATUM 1983. DISTANCES ARE SURFACE VALUES

LEGEND

- DENOTES FOUND CORNER AS NOTED
- ⊗ DENOTES CALCULATED CORNER

EXHIBIT H

SECTION 23, TOWNSHIP 20 SOUTH, RANGE 34 EAST, N.M.P.M., LEA COUNTY NEW MEXICO



NOTE

BEARINGS SHOWN HEREON ARE MERCATOR GRID AND CONFORM TO THE NEW MEXICO COORDINATE SYSTEM "NEW MEXICO EAST ZONE" NORTH AMERICAN DATUM 1983 DISTANCES ARE SURFACE VALUES

I, RONALD J. EIDSON, NEW MEXICO PROFESSIONAL SURVEYOR No. 3239, DO HEREBY CERTIFY THAT THIS SURVEY PLAT AND THE ACTUAL SURVEY ON THE GROUND UPON WHICH IT IS BASED WERE PERFORMED BY ME OR UNDER MY DIRECT SUPERVISION, THAT I AM RESPONSIBLE FOR THIS SURVEY, THAT THIS SURVEY MEETS THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO AND THAT IT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

RONALD J. EIDSON

DATE

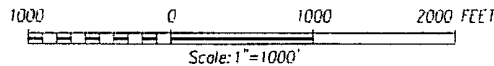
03/01/2012



JOHN WEST SURVEYING COMPANY
412 H. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

LEGEND

- ⊙ DENOTES FOUND CORNER AS NOTED
- ⊗ DENOTES CALCULATED CORNER

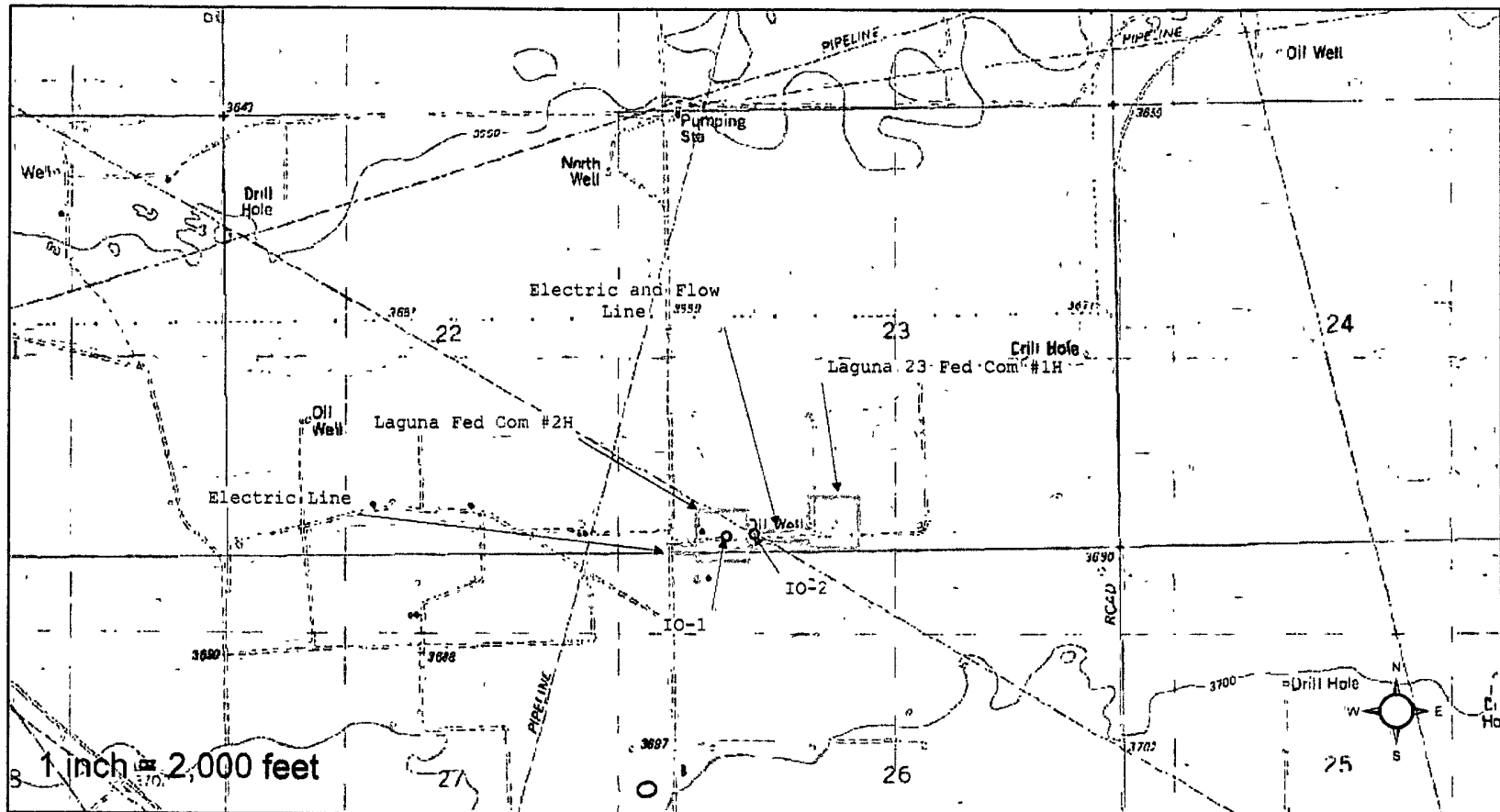


NEARBURG PRODUCING COMPANY

SURVEY OF A ELECTRIC LINE
CROSSING SECTION 23,
TOWNSHIP 20 SOUTH, RANGE 34 EAST, N.M.P.M
LEA COUNTY, NEW MEXICO

Survey Date 1/5/12	CAD Date 1/16/12	Drawn By AF
W.O. No. 11112614	Rev. 3/1/12	Rel. W.O.
		Sheet 1 of 1

Nearburg Producing Company
Laguna 23 Fed Com #1H
Laguna 23 Fed Com #2H
Location, Electric and Flow Lines



Legend			
	IOs		BOI
	BLM		NPS
	BOR		Private
	DOE		NM State Trust Lands
	Forest Service		NM State Game & Fish
			NM State Park

Lea
32103-E5
T20S R34E Sections 23 & 26

1:24,000

ATTACHMENT TO FORM 3160-3
Nearburg Producing Company
Laguna 23 Federal Com #1H
SL: 330' FSL & 1980' FWL, UNIT N
BHL: 330' FNL & 1980' FWL, UNIT C
Sec 23, T20S, R34E
Lea County, New Mexico

1 ESTIMATED FORMATION TOPS

	DEPTH (RKB)	SUBSURFACE	LITHOLOGY
Rustler	1600'	2100'	Anhydrite
Salt	1975'	1725'	Salt
Base Salt	3450'	250	Salt
Yates	3525'	175'	Sand
Capitan Reef	3645'	55'	Limestone
Delaware	5175'	-1475'	Sand
Bone Spring	8400'	-4700'	Sand/Lime
1 st Bone Spring	9600'	-5900'	Sand/Lime
2 nd Bone Spring	10,200'	-6500'	Sand/Lime
3 rd Bone Spring	10,950'	-7250'	Sand/Shale
TVD	11,050'	-7450'	Sand/Shale
PROPOSED BHL DEPTHS TVD 11,050' +/- and MD 15,424'			

2 ESTIMATED DEPTHS OF ANTICIPATED FRESH WATER, OIL, OR GAS

Anticipated Formation Tops RKB +/- 2929' Ground Elevation: 3683'

Fresh Water	100' – 500'	Surface Fresh Water Sands
Oil/Gas	5175'	Bell Canyon
Oil/Gas	6400'	Cherry Canyon
Oil/Gas	8100'	Brushy Canyon
Oil/Gas	8400'	Bone Spring

3. CASING AND CEMENTING PROGRAM

*See
cwt*

Casing Size	Hole Size	From To	Weight	Grade	Joint	Condition	Purpose
13-3/8"	17-1/2"	0' – 1700' 1680'	54.5#	J-55	ST&C	New	Surface
9-5/8"	12-1/4"	0' – 4600'	40.0#	N-80	LT&C	New	Intermediate
9-5/8"	12-1/4"	4600' – 5500'	40.0#	HCN-80	LT&C	New	Intermediate
5-1/2"	8-3/4"	0 – 15424'	17.0#	P-110	LT&C	New	Production

Casing Size	Burst Rating, psi	Safety Factor	Collapse Rating, psi	Safety Factor	Tension Rating, 1000 lbs.	Safety Factor
13-3/8"	2730	2.27	1130	1.50	514	12.20
9-5/8" N-80	5750	2.40	3090	1.29	737	3.35
9-5/8" HCN-80	5750	2.01	4230	1.48	837	3.80
5-1/2"	10,640	1.93	8580	1.56	445	1.70

Equivalent or adequate grades and weights of casing may be substituted at time casing is run, depending on availability

SURFACE CASING

Tension	Calculated using weight of casing times landing depth without utilizing buoyancy effects
Collapse	Calculated with full internal evacuation and a collapse force equal to the mud gradient in which the casing will be run. The effects of axial load on collapse will be considered
Burst	In all cases a conservative fracture pressure will be used such that it represents the upper limit of potential fracture gradients up to a 1.0 psi/ft gradient. The effects of tension on burst will not be utilized

Attachment to Form 3160-3
Nearburg Producing Company
Laguna 23 Federal Com #1H
Page 2 of 4

INTERMEDIATE CASING:

- Tension Calculated using weight of casing times landing depth without utilizing buoyancy effects
- Collapse Calculated with full internal evacuation and a collapse force equal to the mud gradient in which the casing will be run. The effects of axial load on collapse will be considered
- Burst In all cases a conservative fracture pressure will be used such that it represents the upper limit of potential fracture gradients up to a 1.0 psi/ft. gradient. The effects of tension on burst will not be utilized

PRODUCTION CASING

- Tension Calculated using weight of casing times landing depth without utilizing buoyancy effects
- Collapse Calculated with full internal evacuation and a collapse force equal to the mud gradient in which the casing will be run. The effects of axial load on collapse will be considered
- Burst Maximum surface treating pressure will be limited to 70% of the rated burst pressure

- 4 **PRESSURE CONTROL EQUIPMENT** All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as stated in Onshore Oil & Gas Order No. 2. The minimum working pressure of the BOP and BOPE will be 5,000 psi and will be tested accordingly before drilling out the surface casing shoe. The appropriate BLM office will be notified a minimum of four hours in advance of any tests. In addition, the tests will be performed by an independent service company, and all tests will be recorded on a calibrated test chart and submitted to the appropriate BLM office. The test will also include a low-pressure test at 250 psi for 10 minutes using a test plug.

The BOP will be nipped up to the 13 3/8" casing and tested to API specifications. A 13 5/8" 5M BOP will be used on the intermediate hole, and either the same 13 5/8" BOP or an 11" 5M BOP will be used on the production hole. In addition, a 5M-rated choke manifold will be used in conjunction with the BOP. See Exhibits G-1 – G-3.

- 5 **MUD PROGRAM**

DEPTH	MUD TYPE	WEIGHT	FV	PV	YP	FL
0-1700' 0-1680'	Fresh Water/Gel	8.4-8.8	34-36	3-5	5-7	NC
1700'-5500'	Brine	10-10.2	28-30	1	1	NC
5500' – 8000'	Fresh Water	8.4-8.6	28-30	1	1	NC
8000' – 15424'	Cut Brine	9-9.5	32-34	4-5	6-10	9-10

- ~~0-1700'~~ Paper and gel sweeps to clean hole.
- ~~1700'-5500'~~ Salt gel sweeps to clean hole and LCM pill for loss circulation. At TD sweep hole with a high vis sweep allowing full bottoms up and spot high vis pill prior to running casing. If hole cleaning is a problem, mud up with salt gel to 34-45 vis. In case of total loss of returns while drilling the intermediate hole switch from brine water to fresh water to protect the Capitan Reef. Notify the BLM to witness the switch from brine water to fresh water. If partial returns or partial returns are re-established return to brine water to prevent large erosion of the salt section.
- 5500'-8000' Salt gel sweeps to clean hole and LCM pill for loss circulation. Only acid soluble LCM below intermediate casing.
- 8000'-15424' Salt gel sweeps to clean hole and LCM pill for loss circulation. Only acid soluble LCM below intermediate casing. Raise vis to 40+ at TD for logging if necessary. At TD sweep hole with a high vis sweep allowing full bottoms up. Spot high vis pill on bottom prior to logging or casing operations.

Attachment to Form 3160-3
Nearburg Producing Company
Laguna 23 Federal Com #1H
Page 3 of 4

Hydrostatic Mud Weights. 8.6 = 4986 psi 9 = 5218 psi. 9.5 = 5508 psi

Mud additions will be coordinated through NPC representative. This program is only a guide, and hole conditions will dictate mud system requirements and changes. Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run open-hole logs and casing, the viscosity and water loss may have to be adjusted to meet these needs.

Mud system monitoring equipment with derrick floor indicators and visual / audio alarms shall be installed and operative prior to drilling into the Bone Spring formation. This equipment will remain in use until the production casing is run and cemented. Monitoring equipment shall consist of the following:

- A recording pit level indicator.
- A pit volume totalizer
- A flowline sensor.

6 TECHNICAL STAGES OF OPERATION

A. Testing: None planned

B. Logging: *See COA*

- A one-man logging unit will be in service from 4500' to total depth.
- Cased Hole GammaRay-Neutron BIC-Surface, unless up hole warrants open-hole logging. Geologist or Geologist's representative will be on location while logging.
- If TD varies over +/- 50' of approved depth, operator will request BLM approval before proceeding.

C. Conventional Coring: None anticipated.

D. Cement.

13.375" Surface Casing - Cementing Program

Lead: 1800 sacks Class C Cement+2% bwoc Calcium Chloride+0.125 bwoc Cello Flakes+4% Gel+81.4% Fresh Water. Weight 13.58 ppg, Yield 1.75 cfs

Tail: 250 sacks Class C Cement+2% bwoc Calcium Chloride+0.125 bwoc Cello Flakes+56.3% Fresh Water. Weight 14.8 ppg, Yield: 1.32 cfs

These volumes based on circulating cement to surface. 100% excess

9.625" Intermediate Casing - Cementing Program

Lead: 1600 sacks of 50:50 Poz (Fly Ash). Class C Cement+10% bwoc Bentonite+0.125% bwoc Cello Flake+5% bwoc Sodium Chloride+0.3% bwoc FL-52+5% bwoc LCM-1+135.5% Fresh Water. Weight 11.8 ppg; Yield 2.45 cfs; Mix Water: 13.65 bps

Tail: 370 sacks "C" Neat. Weight 14.8 ppg, Yield 1.33 cfs; Mix Water: 6.33 gps

These volumes based on circulating cement to surface. 100% excess

5.5" Production Casing - Cementing Program

First Stage:

Lead: 500 sacks (65/35) Poz (Fly Ash): Class H Cement+5% bwoc FL-25+2% bwoc Bentonite+5% bwoc Sodium Chloride+3% bwoc CD-32+0.2% bwoc R-3+0.5% bwoc FL-32A+102.5% Fresh Water. Weight 12.5 ppg, Yield: 2.01 cfs

Tail: 1500 sacks (50/50) Poz (Fly Ash). Class H Cement+0.2% bwoc R-3+0.125% bwoc Cello Flakes+1% bwoc Sodium Chloride+0.5% bwoc BA-10A+4% bwoc MPA-5+58.3% Fresh Water. Weight 14.2 ppg, Yield: 1.28 cfs

These volumes based on 50% excess

Second Stage:

Lead: 400 sacks Class C Cement+1% bwoc CACL+0.125% Cello Flakes 157.8% Fresh Water. Weight 11.4 ppg; Yield: 2.89 cfs

Tail: 100 sacks (60/40) Poz (Fly Ash) Class C Cement 1% Sodium Chloride+0.2% R-3+0.125% Cello Flakes 0.5% BA-10A+4% bwoc MPA-5+63.2% Fresh Water. Weight 13.80 ppg; Yield: 1.37 cfs

These volumes based on 50% excess. Final cement volumes for production casing to be calculated off of open hole logs. Circulate cement to surface. Set DV tool at 6500'

E. Directional Drilling:

*See
COA*

Attachment to Form 3160-3
Nearburg Producing Company
Laguna 23 Federal Com #1H
Page 4 of 4

Teledrift will be picked up and run from surface to kick-off point. Proposed kick-off point is 10,477'. Directional tools will be run per directional plan. DV tool depth=6500'. Surveys will be run as required by directional company. Maximum deviation from vertical shall be no more than 2° per 110' if possible. BHL will be monitored at all times to maintain the target. Directional adjustment will be made as necessary to maintain target. See plat and legals.

7. ANTICIPATED RESERVOIR CONDITIONS

No abnormal temperatures or pressures are anticipated. Low levels of H₂S have been monitored in producing wells in the area, so H₂S may be present while drilling the well. An H₂S Plan is attached to the Drilling Program. Anticipated Bottom Hole Pressure is 5000 PSI (maximum), and anticipated static Bottom Hole Temperature is 115 degrees Fahrenheit.

8. OTHER PERTINENT INFORMATION

A. Auxiliary Equipment

- Upper and lower Kelly cocks. Full opening stab in valve on the rig floor

B. Anticipated Starting Date

- Upon approval
- 48 days drilling operations with drilling rig
- 4 days completion operations with drilling rig
- 30 days after that to complete the well and construct production facilities

Nearburg Producing Co.

Laguna "23" Federal Com, Well No. 1H
Lea County, New Mexico
Sec. 23-T20S-R34E
Quote No. 020912050

Aim

Directional Services, LLC

SITE DETAILS

Laguna "23" Federal Com #1H

Site Centre Northing 565511 20
Easting 746730 10

Ground Level 3683 00
Positional Uncertainty 0 00
Convergence 0 43

FIELD DETAILS

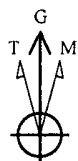
Lea County, New Mexico

Geodetic System US State Plane Coordinate System 1927
Ellipsoid NAD27 (Clarke 1866)
Zone New Mexico, Eastern Zone
Magnetic Model WMM_2010

System Datum Mean Sea Level
Local North Grid North

ANNOTATIONS

No	TVD	MD	Annotation
1	10477 00	10477 00	KOP, Build 10 00°/100'
2	11049 96	11376 99	Hold 90 00°, 359 53° Azimuth
3	11050 00	15424 20	PBHL - Lateral



Azimuths to Grid North
True North -0 43°
Magnetic North 7 10°

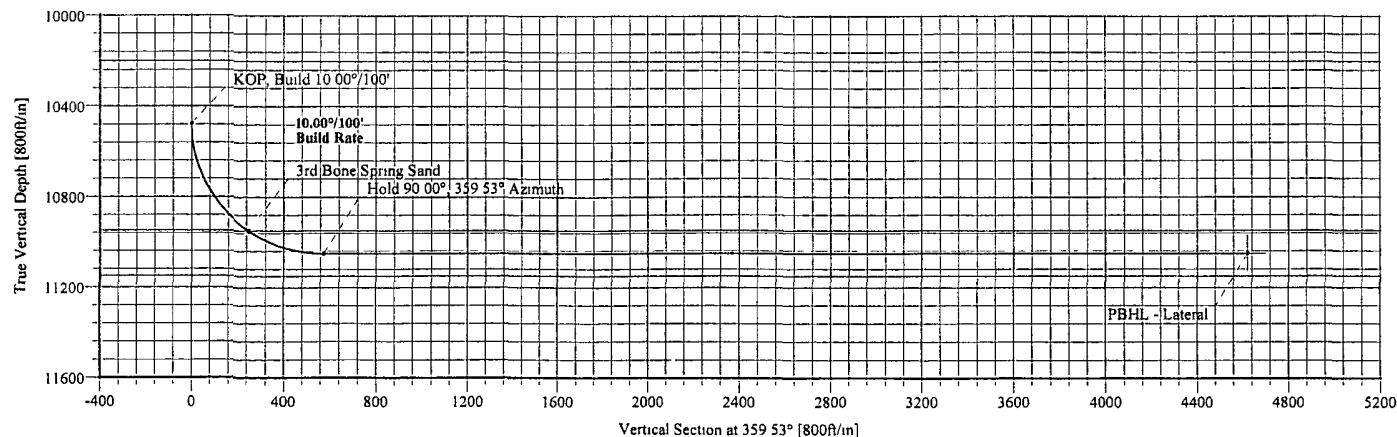
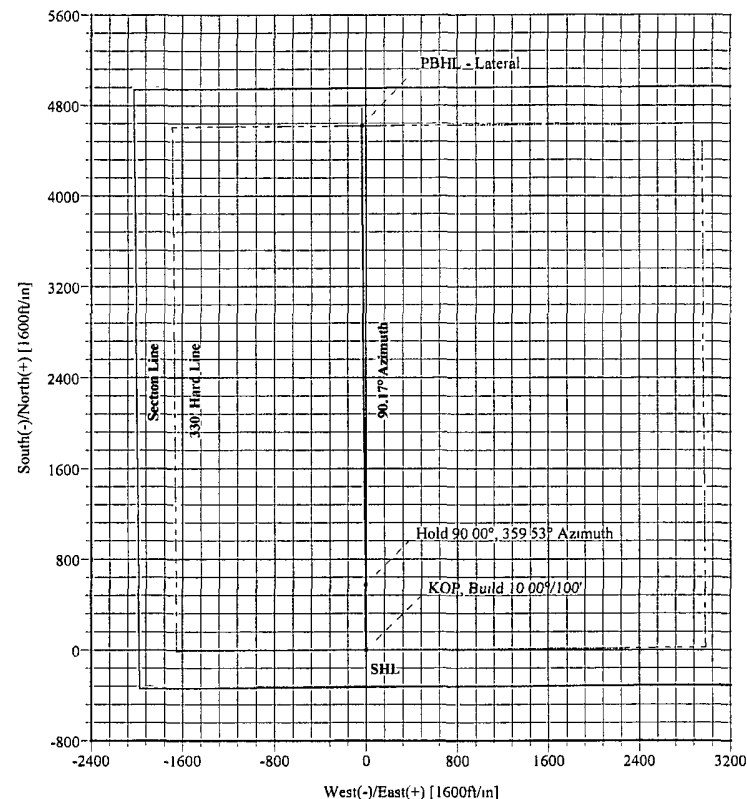
Magnetic Field
Strength 48777nT
Dip Angle 60 48°
Date 02/09/2012
Model WMM_2010

TARGET DETAILS

Name	TVD	+N/-S	+E/-W	Northing	Easting	Latitude	Longitude	Shape
PBHL - Lateral	11050 00	4620 00	-38 30	570131 20	746691 80	32°33'53 450N	103°31'57 371W	Point

SECTION DETAILS

Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSec	Target
1	10477 00	0 00	0 00	10477 00	0 00	0 00	0 00	0 00	0 00	
2	11376 99	90 00	359 53	11049 96	572 93	-4 75	10 00	359 53	572 95	
3	15424 20	90 00	359 53	11050 00	4620 00	-38 30	0 00	0 00	4620 16	PBHL - Lateral



Formation Tops:

Rustler: 1600' KBTVD
Salt: 1975' KBTVD
Base Salt: 3450' KBTVD
Yates: 3525' KBTVD
Capitan Reef: 3645' KBTVD
Delaware: 5175' KBTVD
Bone Spring: 8400' KBTVD
1st Bone Spring Sand: 9600' KBTVD
2nd Bone Spring Sand: 10200' KBTVD
3rd Bone Spring Sand: 10950' KBTVD
Wolfcamp Marker: 11150' KBTVD

Aim Directional Services

Planning Report - Geographic

Company: Nearburg Producing Company	Date: 02/09/2012	Time: 15:29:59	Page: 1
Field: Lea County, New Mexico	Co-ordinate(NE) Reference: Well #1H, Gnd North		
Site: Laguna "23" Federal Com #1H	Vertical (TVD) Reference: SITE 3703.0		
Well: #1H	Section (VS) Reference: Well (0.00N,0 00E,359 53Azi)		
Wellpath: Lateral 1r0	Plan: Lateral 1r0		

Field: Lea County, New Mexico

Map System: US State Plane Coordinate System 1927
Geo Datum: NAD27 (Clarke 1866)
Sys Datum: Mean Sea Level

Map Zone: New Mexico, Eastern Zone
Coordinate System: Well Centre
Geomagnetic Model: WMM_2010

Site: Laguna "23" Federal Com #1H

Site Position:	Northing: 565511 20 ft	Latitude: 32 33 7.732 N
From: Map	Easting: 746730 10 ft	Longitude: 103 31 57.330 W
Position Uncertainty: 0 00 ft		North Reference: Gnd
Ground Level: 3683.00 ft		Grid Convergence: 0.43 deg

Well: #1H

Slot Name:

Well Position: +N/-S 0 00 ft	Northing: 565511 20 ft	Latitude: 32 33 7.732 N
+E/-W 0 00 ft	Easting: 746730 10 ft	Longitude: 103 31 57.330 W
Position Uncertainty: 0.00 ft		

Wellpath: Lateral 1r0

Current Datum: SITE	Height 3703 00 ft	Drilled From: Surface
Magnetic Data: 02/09/2012		Tie-on Depth: 0.00 ft
Field Strength: 48777 nT		Above System Datum: Mean Sea Level
Vertical Section: Depth From (TVD)	+N/-S	Declination: 7.53 deg
ft	ft	Mag Dip Angle: 60.48 deg
		+E/-W
		ft
		Direction
		deg
0 00	0 00	0 00 359 53

Plan: Lateral 1r0

Date Composed: 02/09/2012
Version: 1
Tied-to: User Defined

Principal: Yes

Plan Section Information

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg	Target
10477 00	0 00	0 00	10477 00	0 00	0 00	0 00	0 00	0 00	0 00	
11376 99	90 00	359 53	11049 96	572 93	-4.75	10 00	10 00	-0.05	359 53	
15424 20	90 00	359.53	11050 00	4620 00	-38 30	0 00	0.00	0.00	0 00	PBHL - Lateral

Section 1 : Start DLS 10 00 TFO 359.53

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
10477 00	0.00	0 00	10477 00	0 00	0 00	0.00	0 00	0.00	0 00	0 00
10500 00	2 30	359 53	10499 99	0 46	0 00	0.46	10 00	10 00	0 00	0.00
10550 00	7 30	359.53	10549.80	4 64	-0 04	4 64	10 00	10.00	0.00	0 00
10600 00	12 30	359.53	10599.06	13 15	-0 11	13 15	10 00	10 00	0.00	0 00
10650 00	17 30	359 53	10647 38	25 92	-0 21	25 92	10 00	10 00	0 00	0 00
10700 00	22 30	359 53	10694 41	42 85	-0 36	42 85	10.00	10 00	0 00	0 00
10750 00	27 30	359.53	10739 79	63 82	-0 53	63 82	10 00	10.00	0 00	0 00
10800 00	32 30	359.53	10783 16	88 66	-0.73	88 66	10 00	10.00	0.00	0 00
10850 00	37 30	359 53	10824 21	117 18	-0.97	117 19	10 00	10 00	0.00	0 00
10900 00	42 30	359 53	10862 61	149 18	-1 24	149 18	10 00	10 00	0 00	0 00
10950 00	47 30	359 53	10898 08	184 39	-1 53	184 40	10.00	10 00	0.00	0 00
11000 00	52 30	359 53	10930 34	222.57	-1 85	222.58	10.00	10 00	0 00	0.00
11033 43	55 64	359 53	10950 00	249 60	-2 07	249 61	10 00	10.00	0 00	0.00
11050 00	57 30	359 53	10959 15	263 41	-2.18	263 42	10.00	10 00	0.00	0.00
11100 00	62 30	359 53	10984 29	306 61	-2 54	306 62	10 00	10 00	0.00	0 00
11150 00	67 30	359.53	11005 58	351 84	-2 92	351 85	10 00	10.00	0.00	0 00
11200 00	72 30	359.53	11022.83	398 75	-3 31	398 76	10 00	10.00	0.00	0.00
11250 00	77 30	359 53	11035 94	446 98	-3 71	447 00	10 00	10 00	0.00	0.00
11300 00	82 30	359 53	11044.79	496 17	-4 11	496 19	10 00	10 00	0 00	0 00
11350 00	87 30	359 53	11049 32	545.95	-4 53	545 97	10.00	10.00	0 00	0 00
11376 99	90 00	359 53	11049 96	572 93	-4.75	572 95	10.00	10 00	0.00	0 00

Aim Directional Services

Planning Report - Geographic

Company: Nearburg Producing Company
 Field: Lea County, New Mexico
 Site: Laguna "23" Federal Com #1H
 Well: #1H
 Wellpath: Lateral 1r0

Date: 02/09/2012 Time: 15 29 59
 Co-ordinate(NE) Reference: Well: #1H, Gnd North
 Vertical (TVD) Reference: SITE 3703.0
 Section (VS) Reference: Well (0.00N,0.00E,359.53Azi)
 Plan: Lateral 1r0

Page: 2

Section 1 : Start DLS 10 00 TFO 359 53

MD	Incl	Azim	TVD	+N/-S	+E/-W	VS	DLS	Build	Turn	TFO

Section 2 : Start Hold

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	VS ft	DLS deg/100ft	Build deg/100ft	Turn deg/100ft	TFO deg
11400.00	90.00	359.53	11049.96	595.94	-4.94	595.96	0.00	0.00	0.00	0.00
11500.00	90.00	359.53	11049.96	695.93	-5.77	695.96	0.00	0.00	0.00	0.00
11600.00	90.00	359.53	11049.96	795.93	-6.60	795.96	0.00	0.00	0.00	0.00
11700.00	90.00	359.53	11049.96	895.93	-7.43	895.96	0.00	0.00	0.00	0.00
11800.00	90.00	359.53	11049.96	995.92	-8.26	995.96	0.00	0.00	0.00	0.00
11900.00	90.00	359.53	11049.96	1095.92	-9.09	1095.96	0.00	0.00	0.00	0.00
12000.00	90.00	359.53	11049.96	1195.92	-9.91	1195.96	0.00	0.00	0.00	0.00
12100.00	90.00	359.53	11049.97	1295.91	-10.74	1295.96	0.00	0.00	0.00	0.00
12200.00	90.00	359.53	11049.97	1395.91	-11.57	1395.96	0.00	0.00	0.00	0.00
12300.00	90.00	359.53	11049.97	1495.91	-12.40	1495.96	0.00	0.00	0.00	0.00
12400.00	90.00	359.53	11049.97	1595.90	-13.23	1595.96	0.00	0.00	0.00	0.00
12500.00	90.00	359.53	11049.97	1695.90	-14.06	1695.96	0.00	0.00	0.00	0.00
12600.00	90.00	359.53	11049.97	1795.90	-14.89	1795.96	0.00	0.00	0.00	0.00
12700.00	90.00	359.53	11049.97	1895.89	-15.72	1895.96	0.00	0.00	0.00	0.00
12800.00	90.00	359.53	11049.97	1995.89	-16.55	1995.96	0.00	0.00	0.00	0.00
12900.00	90.00	359.53	11049.97	2095.89	-17.37	2095.96	0.00	0.00	0.00	0.00
13000.00	90.00	359.53	11049.97	2195.88	-18.20	2195.96	0.00	0.00	0.00	0.00
13100.00	90.00	359.53	11049.98	2295.88	-19.03	2295.96	0.00	0.00	0.00	0.00
13200.00	90.00	359.53	11049.98	2395.88	-19.86	2395.96	0.00	0.00	0.00	0.00
13300.00	90.00	359.53	11049.98	2495.87	-20.69	2495.96	0.00	0.00	0.00	0.00
13400.00	90.00	359.53	11049.98	2595.87	-21.52	2595.96	0.00	0.00	0.00	0.00
13500.00	90.00	359.53	11049.98	2695.87	-22.35	2695.96	0.00	0.00	0.00	0.00
13600.00	90.00	359.53	11049.98	2795.86	-23.18	2795.96	0.00	0.00	0.00	0.00
13700.00	90.00	359.53	11049.98	2895.86	-24.01	2895.96	0.00	0.00	0.00	0.00
13800.00	90.00	359.53	11049.98	2995.85	-24.84	2995.96	0.00	0.00	0.00	0.00
13900.00	90.00	359.53	11049.98	3095.85	-25.66	3095.96	0.00	0.00	0.00	0.00
14000.00	90.00	359.53	11049.99	3195.85	-26.49	3195.96	0.00	0.00	0.00	0.00
14100.00	90.00	359.53	11049.99	3295.84	-27.32	3295.96	0.00	0.00	0.00	0.00
14200.00	90.00	359.53	11049.99	3395.84	-28.15	3395.96	0.00	0.00	0.00	0.00
14300.00	90.00	359.53	11049.99	3495.84	-28.98	3495.96	0.00	0.00	0.00	0.00
14400.00	90.00	359.53	11049.99	3595.83	-29.81	3595.96	0.00	0.00	0.00	0.00
14500.00	90.00	359.53	11049.99	3695.83	-30.64	3695.96	0.00	0.00	0.00	0.00
14600.00	90.00	359.53	11049.99	3795.83	-31.47	3795.96	0.00	0.00	0.00	0.00
14700.00	90.00	359.53	11049.99	3895.82	-32.30	3895.96	0.00	0.00	0.00	0.00
14800.00	90.00	359.53	11049.99	3995.82	-33.13	3995.96	0.00	0.00	0.00	0.00
14900.00	90.00	359.53	11049.99	4095.82	-33.95	4095.96	0.00	0.00	0.00	0.00
15000.00	90.00	359.53	11050.00	4195.81	-34.78	4195.96	0.00	0.00	0.00	0.00
15100.00	90.00	359.53	11050.00	4295.81	-35.61	4295.96	0.00	0.00	0.00	0.00
15200.00	90.00	359.53	11050.00	4395.81	-36.44	4395.96	0.00	0.00	0.00	0.00
15300.00	90.00	359.53	11050.00	4495.80	-37.27	4495.96	0.00	0.00	0.00	0.00
15400.00	90.00	359.53	11050.00	4595.80	-38.10	4595.96	0.00	0.00	0.00	0.00
15424.20	90.00	359.53	11050.00	4620.00	-38.30	4620.16	0.00	0.00	0.00	0.00

Survey

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	Map Northing ft	Map Easting ft	← Latitude → Deg Min Sec		← Longitude → Deg Min Sec	
10477.00	0.00	0.00	10477.00	0.00	0.00	565511.20	746730.10	32	33	7.732 N	103 31 57.330 W
10500.00	2.30	359.53	10499.99	0.46	0.00	565511.66	746730.10	32	33	7.737 N	103 31 57.330 W
10550.00	7.30	359.53	10549.80	4.64	-0.04	565515.84	746730.06	32	33	7.778 N	103 31 57.330 W
10600.00	12.30	359.53	10599.06	13.15	-0.11	565524.35	746729.99	32	33	7.863 N	103 31 57.330 W
10650.00	17.30	359.53	10647.38	25.92	-0.21	565537.12	746729.89	32	33	7.989 N	103 31 57.330 W
10700.00	22.30	359.53	10694.41	42.85	-0.36	565554.05	746729.74	32	33	8.156 N	103 31 57.330 W
10750.00	27.30	359.53	10739.79	63.82	-0.53	565575.02	746729.57	32	33	8.364 N	103 31 57.330 W
10800.00	32.30	359.53	10783.16	88.66	-0.73	565599.86	746729.37	32	33	8.610 N	103 31 57.331 W
10850.00	37.30	359.53	10824.21	117.18	-0.97	565628.38	746729.13	32	33	8.892 N	103 31 57.331 W

Aim Directional Services

Planning Report - Geographic

Company: Nearburg Producing Company
 Field: Lea County, New Mexico
 Site: Laguna "23" Federal Com #1H
 Well: #1H
 Wellpath: Lateral 1r0

Date: 02/09/2012
 Co-ordinate(NE) Reference: Well: #1H, Grid North
 Vertical (TVD) Reference: SITE 3703.0
 Section (VS) Reference: Well (0.00N,0.00E,359.53Azi)
 Plan: Lateral 1r0

Page: 3

Survey

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	Map Northing ft	Map Easting ft	← Latitude → Deg Min Sec			← Longitude → Deg Min Sec		
10900.00	42.30	359.53	10862.61	149.18	-1.24	565660.38	746728.86	32	33	9 209 N	103	31	57.331 W
10950.00	47.30	359.53	10898.08	184.39	-1.53	565695.59	746728.57	32	33	9.557 N	103	31	57.332 W
11000.00	52.30	359.53	10930.34	222.57	-1.85	565733.77	746728.25	32	33	9.935 N	103	31	57.332 W
11033.43	55.64	359.53	10950.00	249.60	-2.07	565760.80	746728.03	32	33	10.202 N	103	31	57.332 W
11050.00	57.30	359.53	10959.15	263.41	-2.18	565774.61	746727.92	32	33	10.339 N	103	31	57.332 W
11100.00	62.30	359.53	10984.29	306.61	-2.54	565817.81	746727.56	32	33	10.766 N	103	31	57.333 W
11150.00	67.30	359.53	11005.58	351.84	-2.92	565863.04	746727.18	32	33	11.214 N	103	31	57.333 W
11200.00	72.30	359.53	11022.83	398.75	-3.31	565909.95	746726.79	32	33	11.678 N	103	31	57.333 W
11250.00	77.30	359.53	11035.94	446.98	-3.71	565958.18	746726.39	32	33	12.156 N	103	31	57.334 W
11300.00	82.30	359.53	11044.79	496.17	-4.11	566007.37	746725.99	32	33	12.642 N	103	31	57.334 W
11350.00	87.30	359.53	11049.32	545.95	-4.53	566057.15	746725.57	32	33	13.135 N	103	31	57.335 W
11376.99	90.00	359.53	11049.96	572.93	-4.75	566084.13	746725.35	32	33	13.402 N	103	31	57.335 W
11400.00	90.00	359.53	11049.96	595.94	-4.94	566107.14	746725.16	32	33	13.630 N	103	31	57.335 W
11500.00	90.00	359.53	11049.96	695.93	-5.77	566207.13	746724.33	32	33	14.619 N	103	31	57.336 W
11600.00	90.00	359.53	11049.96	795.93	-6.60	566307.13	746723.50	32	33	15.609 N	103	31	57.337 W
11700.00	90.00	359.53	11049.96	895.93	-7.43	566407.13	746722.67	32	33	16.598 N	103	31	57.338 W
11800.00	90.00	359.53	11049.96	995.92	-8.26	566507.12	746721.84	32	33	17.588 N	103	31	57.339 W
11900.00	90.00	359.53	11049.96	1095.92	-9.09	566607.12	746721.01	32	33	18.577 N	103	31	57.340 W
12000.00	90.00	359.53	11049.96	1195.92	-9.91	566707.12	746720.19	32	33	19.567 N	103	31	57.341 W
12100.00	90.00	359.53	11049.97	1295.91	-10.74	566807.11	746719.36	32	33	20.556 N	103	31	57.342 W
12200.00	90.00	359.53	11049.97	1395.91	-11.57	566907.11	746718.53	32	33	21.546 N	103	31	57.342 W
12300.00	90.00	359.53	11049.97	1495.91	-12.40	567007.11	746717.70	32	33	22.535 N	103	31	57.343 W
12400.00	90.00	359.53	11049.97	1595.90	-13.23	567107.10	746716.87	32	33	23.525 N	103	31	57.344 W
12500.00	90.00	359.53	11049.97	1695.90	-14.06	567207.10	746716.04	32	33	24.514 N	103	31	57.345 W
12600.00	90.00	359.53	11049.97	1795.90	-14.89	567307.10	746715.21	32	33	25.504 N	103	31	57.346 W
12700.00	90.00	359.53	11049.97	1895.89	-15.72	567407.09	746714.38	32	33	26.493 N	103	31	57.347 W
12800.00	90.00	359.53	11049.97	1995.89	-16.55	567507.09	746713.55	32	33	27.483 N	103	31	57.348 W
12900.00	90.00	359.53	11049.97	2095.89	-17.37	567607.09	746712.73	32	33	28.472 N	103	31	57.349 W
13000.00	90.00	359.53	11049.97	2195.88	-18.20	567707.08	746711.90	32	33	29.462 N	103	31	57.350 W
13100.00	90.00	359.53	11049.98	2295.88	-19.03	567807.08	746711.07	32	33	30.451 N	103	31	57.351 W
13200.00	90.00	359.53	11049.98	2395.88	-19.86	567907.08	746710.24	32	33	31.441 N	103	31	57.351 W
13300.00	90.00	359.53	11049.98	2495.87	-20.69	568007.07	746709.41	32	33	32.430 N	103	31	57.352 W
13400.00	90.00	359.53	11049.98	2595.87	-21.52	568107.07	746708.58	32	33	33.420 N	103	31	57.353 W
13500.00	90.00	359.53	11049.98	2695.87	-22.35	568207.07	746707.75	32	33	34.409 N	103	31	57.354 W
13600.00	90.00	359.53	11049.98	2795.86	-23.18	568307.06	746706.92	32	33	35.399 N	103	31	57.355 W
13700.00	90.00	359.53	11049.98	2895.86	-24.01	568407.06	746706.09	32	33	36.388 N	103	31	57.356 W
13800.00	90.00	359.53	11049.98	2995.85	-24.84	568507.05	746705.26	32	33	37.378 N	103	31	57.357 W
13900.00	90.00	359.53	11049.98	3095.85	-25.66	568607.05	746704.44	32	33	38.367 N	103	31	57.358 W
14000.00	90.00	359.53	11049.99	3195.85	-26.49	568707.05	746703.61	32	33	39.357 N	103	31	57.359 W
14100.00	90.00	359.53	11049.99	3295.84	-27.32	568807.04	746702.78	32	33	40.346 N	103	31	57.359 W
14200.00	90.00	359.53	11049.99	3395.84	-28.15	568907.04	746701.95	32	33	41.336 N	103	31	57.360 W
14300.00	90.00	359.53	11049.99	3495.84	-28.98	569007.04	746701.12	32	33	42.325 N	103	31	57.361 W
14400.00	90.00	359.53	11049.99	3595.83	-29.81	569107.03	746700.29	32	33	43.315 N	103	31	57.362 W
14500.00	90.00	359.53	11049.99	3695.83	-30.64	569207.03	746699.46	32	33	44.305 N	103	31	57.363 W
14600.00	90.00	359.53	11049.99	3795.83	-31.47	569307.03	746698.63	32	33	45.294 N	103	31	57.364 W
14700.00	90.00	359.53	11049.99	3895.82	-32.30	569407.02	746697.80	32	33	46.284 N	103	31	57.365 W
14800.00	90.00	359.53	11049.99	3995.82	-33.13	569507.02	746696.97	32	33	47.273 N	103	31	57.366 W
14900.00	90.00	359.53	11049.99	4095.82	-33.95	569607.02	746696.15	32	33	48.263 N	103	31	57.367 W
15000.00	90.00	359.53	11050.00	4195.81	-34.78	569707.01	746695.32	32	33	49.252 N	103	31	57.368 W
15100.00	90.00	359.53	11050.00	4295.81	-35.61	569807.01	746694.49	32	33	50.242 N	103	31	57.368 W
15200.00	90.00	359.53	11050.00	4395.81	-36.44	569907.01	746693.66	32	33	51.231 N	103	31	57.369 W
15300.00	90.00	359.53	11050.00	4495.80	-37.27	570007.00	746692.83	32	33	52.221 N	103	31	57.370 W

Aim Directional Services

Planning Report - Geographic

Company: Nearburg Producing Company
Field: Lea County, New Mexico
Site: Laguna "23" Federal Com #1H
Well: #1H
Wellpath: Lateral 1r0

Date: 02/09/2012
Co-ordinate(NE) Reference: Well #1H, Gnd North
Vertical (TVD) Reference: SITE 3703 0
Section (VS) Reference: Well (0 00N,0 00E,359 53Azi)
Plan: Lateral 1r0

Page: 4

Survey

MD ft	Incl deg	Azim deg	TVD ft	+N/-S ft	+E/-W ft	Map Northing ft	Map Easting ft	← Latitude → Deg Min Sec			← Longitude → Deg Min Sec		
15400 00	90 00	359 53	11050.00	4595 80	-38 10	570107.00	746692.00	32	33	53 210 N	103	31	57 371 W
15424 20	90 00	359 53	11050 00	4620.00	-38 30	570131 20	746691 80	32	33	53 450 N	103	31	57 371 W

Targets

Name	Description Dip.	Dir.	TVD ft	+N/-S ft	+E/-W ft	Map Northing ft	Map Easting ft	← Latitude → Deg Min Sec			← Longitude → Deg Min Sec		
PBHL - Lateral			11050 00	4620 00	-38 30	570131 20	746691 80	32	33	53 450 N	103	31	57 371 W

Formations

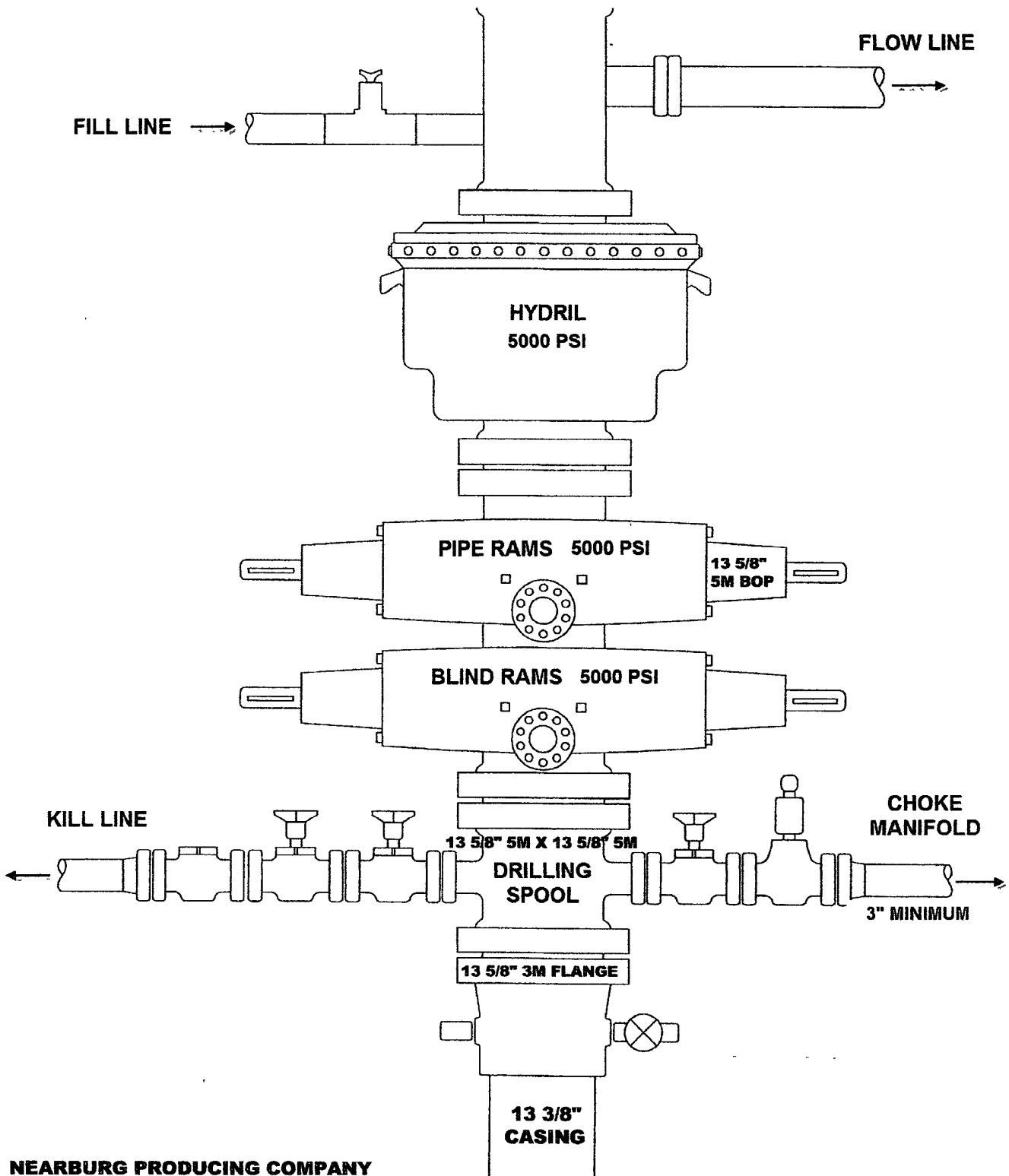
MD ft	TVD ft	Formations	Lithology	Dip Angle deg	Dip Direction deg
	0 00	Rustler		0 00	0.00
	0 00	Salt		0 00	0.00
	0 00	Base Salt		0 00	0.00
	0 00	Yates		0 00	0.00
	0 00	Capitan Reef		0.00	0 00
	0 00	Delaware		0 00	0 00
	0 00	Bone Spring		0.00	0.00
	0 00	1st Bone Spring Sand		0 00	0.00
	0 00	2nd Bone Spring Sand		0 00	0 00
11033 43	10950 00	3rd Bone Spring Sand		0.00	0.00
	0 00	Wolfcamp Marker		0 00	0.00

Annotation

MD ft	TVD ft	
10477 00	10477 00	KOP, Build 10 00°/100'
11376 99	11049 96	Hold 90.00°, 359 53° Azimuth
15424 20	11050 00	PBHL - Lateral

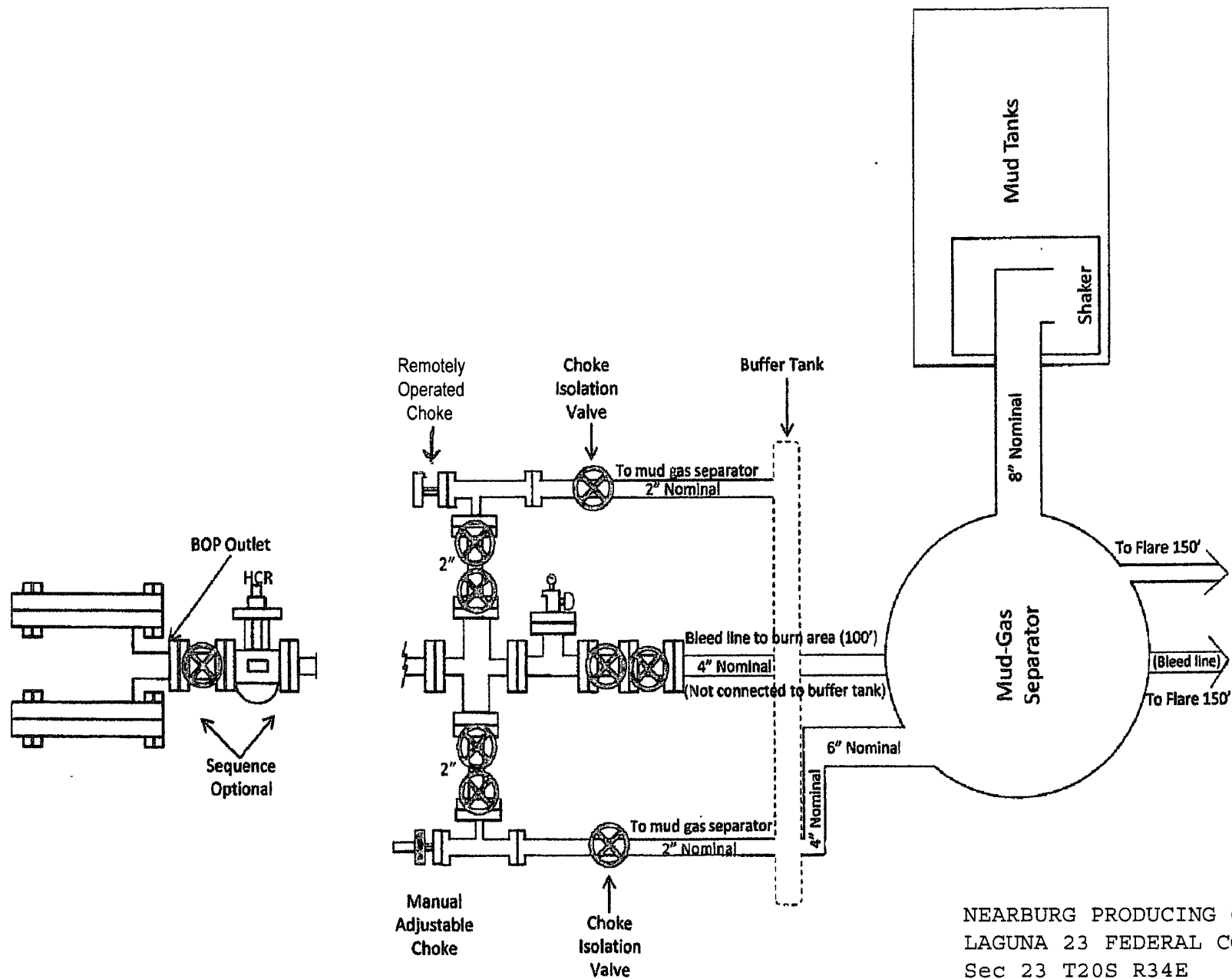
EXHIBIT G-1

BOP STACK



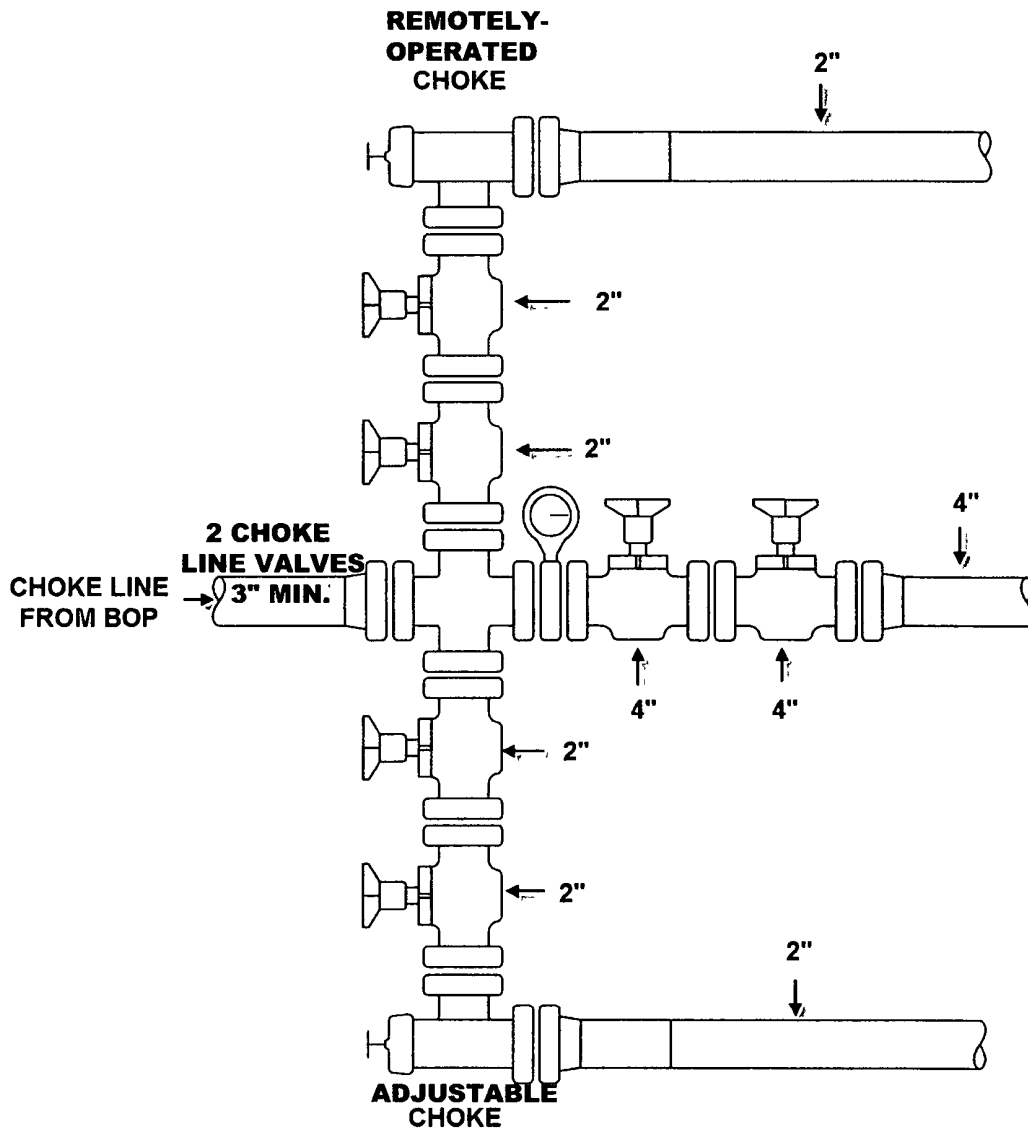
NEARBURG PRODUCING COMPANY
LAGUNA 23 FEDERAL COM #1H
Sec 23 T20S R34E
Lea County, New Mexico

EXHIBIT G-2 CHOKE MANIFOLD



NEARBURG PRODUCING COMPANY
LAGUNA 23 FEDERAL COM #1H
Sec 23 T20S R34E
Lea County, New Mexico

EXHIBIT G-3
CHOKE MANIFOLD



NEARBURG PRODUCING COMPANY
LAGUNA 23 FEDERAL COM #1H
Sec 23 T20S R34E
Lea County, New Mexico